

**TERMS AND CONDITIONS OF PROBATION**

Defendant shall be placed on summary court probation for a period of three years and six months.

Defendant agrees that its subsidiaries and divisions, and any agent, employee, representative and all persons, partners, corporations, or other entities acting by, through, under, or on behalf of Defendant in refinery activities in California shall commit no future criminal violations of the Occupational Safety and Health standards codified in the California Labor Code, Division 5, Part 1, section 6300 *et. seq.* or implementing regulations, including Title 8 of the California Code of Regulations, and shall commit no future criminal violations of the Non-Vehicular Air Pollution Control requirements codified in the California Health & Safety Code, Division 26, Part 4, sections 41500 *et. seq.*

**Sulfidation Corrosion Inspections**

1. As a condition of probation, by August 6, 2014, the Richmond refinery (the "Refinery") shall complete a 100% component inspection of all carbon steel piping systems identified as susceptible to sulfidation corrosion in a manner consistent with the methodologies set forth in the *Updated Inspection Strategies for Preventing Sulfidation Corrosion Failures in Chevron Refineries* (Sept. 30, 2009). Any substantial changes to these methodologies during the period of probation shall be provided to California Division of Occupational Safety and Health ("Cal/OSHA") for review.

As part of these inspections, the Refinery shall –

- Implement inspections to identify components of carbon steel piping circuits that do not have sufficient thickness to remain in service until the next scheduled turnaround;
- Implement generally accepted engineering practices with respect to components of insufficient thickness;
- Document solutions with respect to components of insufficient thickness and make such documents available for inspection by Cal/OSHA;
- Confer with appropriate subject matter experts, such as material engineers, Refinery inspectors, consultants and representatives of the Energy Technology Company ("ETC"), in connection with solutions referenced above;
- Manage changes (except for "replacement in kind") to process chemicals, technology, and equipment, and changes to facilities in accordance with 8 CCR 5189(l);
- Maintain a list of Management of Change documents prepared in connection with above-referenced changes made in furtherance of the sulfidation corrosion program and make the list, and any underlying documents necessary to understand the list, available for inspection by Cal/OSHA;
- Maintain a list of all carbon steel piping circuits potentially susceptible to sulfidation corrosion;

- Establish an inspection frequency for carbon steel piping circuits based upon measured corrosion rates, remaining life calculations, and current process conditions, including sulfur content and temperature; and,
- Measure corrosion in all carbon steel piping systems identified as susceptible to sulfidation corrosion, not limited to elbows, but also including straight line pipes.

### **Damage Mechanism Reviews**

2. As a condition of probation, with regard to damage mechanism reviews to identify potential damage mechanisms and consequences of failure, by January 1, 2014, the Refinery shall modify its work processes for the review of damage mechanisms for processes covered by the Process Safety Management standard in accordance with American Petroleum Institute ("API") Recommended Practice 571, Damage Mechanisms Affecting Fixed Equipment in the Refining Industry. The damage mechanism review shall identify potential process damage mechanisms and consequences of failure, and shall ensure safeguards are in place to control hazards presented by those damage mechanisms.

The revised work processes shall require consideration of damage mechanism reviews as part of the Process Hazard Analysis process at the Refinery.

### **Fixed Equipment (Process Piping) Inspection Recommendations**

3. As a condition of probation, with regard to turnaround planning, when considering fixed equipment inspection recommendations, turnaround planners shall confer with appropriate subject matter experts, such as material engineers, Refinery inspectors, consultants and representatives of ETC.

As a condition of probation, with regard to turnaround planning, by September 30, 2013, the Refinery shall maintain a list of fixed equipment inspection recommendations submitted for each turnaround. Fixed equipment inspections recommendations that are not accepted shall be documented. The documentation shall include the reason(s) the recommendation was rejected or deferred, the identity of the individuals who participated in the decision, and the identity the manager who approved or disapproved of the recommendations. These records shall be made available for inspection by Cal/OSHA.

### **Enhanced Training**

4. As a condition of probation, with regard to training, by May 6, 2014, the Refinery shall develop and implement the following training programs:

- For Refinery incident commanders, first responders, and operations management and employees, provide a revised emergency response training program, including enhanced training on the leak response protocol and shutdown decisions in response to a leak;
- For Refinery incident commanders and first responders, provide enhanced training on setting up incident command structures, establishing boundary limits, and evaluating "hot zones"; and
- For Refinery personnel responsible for making Minimum Thickness Fitness for Service determinations, provide enhanced training on the appropriate process and techniques for calculating minimal wall thickness for piping and conducting Fitness for Service assessments.

The Refinery shall maintain a list of the incident commanders, first responders, and operations employees indicating which of them have received the enhanced training referenced above and a list of the personnel responsible for making Minimum Thickness Fitness for Service determinations indicating which of them have received the enhanced training referenced above. The Refinery shall make these lists available for inspection by Cal/OSHA.

The Refinery shall provide the proposed training materials to Cal/OSHA for review and approval 30 days prior to beginning these training programs.

### **Reporting and Verification**

5. As a condition of probation, the Refinery shall submit a Reporting and Verification Report (RV Report) to the Contra Costa County District Attorney's Office, the California Attorney General's Office, the Bay Area Air Quality Management District, and Cal/OSHA every 90 days regarding progress in implementing the above conditions for the first year of probation and every six months thereafter until the period of probation ends. The RV Report shall begin 30 days after the plea agreement is approved by the Court. The RV Report shall include the following:

- A list of components identified through the 100% component inspection process referenced in Item 1 that lack sufficient thickness to remain in service until the next scheduled turnaround;
- A description of the solution implemented with respect to components of insufficient thickness identified above;
- A list of all carbon steel piping circuits identified as potentially susceptible to sulfidation corrosion;
- A description of the current fixed equipment inspection frequency for carbon steel piping circuits identified as potentially susceptible to sulfidation corrosion;
- A list of the revised Process Hazard Analyses completed during each reporting period (if any) to account for consideration of damage mechanisms; and
- A list of fixed equipment inspection recommendations submitted for each turnaround, indicating which recommendations were accepted, and, for those that were not accepted, the reason the recommendation was rejected.

Upon 48 hours' notice, and upon presentation of appropriate credentials, Chevron shall grant Cal/OSHA access to the Refinery during regular working hours to review documents and, as necessary, the specific portions of the facility at issue in the documents and, in addition, on Cal/OSHA's request, shall make available a reasonable number of employees, for the purposes of verification of compliance with the terms and conditions of probation.

Nothing set forth herein shall require the public disclosure of confidential business or personally identifiable information.

### **Restitution**

6. For partial payment of restitution, due to the impossibility of identifying direct damages to the County of Contra Costa, Chevron shall provide \$145,369 to Richmond BUILD, a public-private partnership

focused on developing well trained and skilled workers in the high growth, high wage construction and renewable energy fields. Any public reference by Defendant to this payment shall include the phrase that "this payment was mandated pursuant to the terms of the court order in *People v. Chevron U.S.A. Inc.*, Contra Costa County Superior Court."

The Refinery shall also pay restitution to the following agencies to compensate them for their costs in investigating and/or responding to the incident: BAAQMD (\$185,000); Cal/OSHA (\$299,631); and the California Attorney General's Office (\$90,000).

All restitution payments shall be made within 30 days after the plea agreement is approved by the Court.